



Agenda Date: 9/27/06  
Agenda Item: 2 B

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
**Two Gateway Center**  
**Newark, NJ 07102**  
**[www.bpu.state.nj.us](http://www.bpu.state.nj.us)**

**ENERGY**

IN THE MATTER OF THE PETITION OF  
NEW JERSEY NATURAL GAS COMPANY  
FOR THE ANNUAL REVIEW AND  
REVISION OF ITS BASIC GAS SUPPLY )  
SERVICE (BGSS) FOR FISCAL YEAR 2007 )

DECISION AND ORDER  
APPROVING STIPULATION  
FOR PROVISIONAL BGSS  
RATES  
DOCKET NO. GR06060415

(SERVICE LIST ATTACHED)

BY THE BOARD:

In accordance with the New Jersey Board of Public Utilities ("Board") January 6, 2003 Order in Docket No. GX01050304, New Jersey Natural Gas Company ("Petitioner," "Company," or "NJNG") filed its annual Basic Gas Supply Service ("BGSS") petition with the Board on June 1, 2006. The Company's petition sought to: (1) decrease its periodic BGSS rate applicable to those customers subject to the Periodic BGSS Pricing Mechanism from \$1.2597 per therm including taxes to \$1.1493 per therm including taxes; and (2) modify its BGSS interest calculation methodology, whereby in lieu of interest being calculated on a monthly basis at the Company's authorized overall rate of return, as done under the current methodology, the interest rate used for the calculation would be the prevailing SBC rate. The Company's proposed adjustment to its Periodic BGSS rate would result in a decrease of approximately 6.6 percent or \$11.04 per month after tax, to the average NJNG residential heating customer using 100 therms monthly. The BGSS year is for the twelve months ended September 30, 2007.

Pursuant to P.L. 2006, c.44, the New Jersey sales tax rate increased from 6 percent to 7 percent effective July 15, 2006. Due to the enactment of P.L. 2006, c.44, NJNG seeks to decrease its Periodic BGSS rate by \$0.1115 per therm including taxes, effective October 1, 2006 thereby decreasing NJNG's current after tax rate of \$1.2716 per therm to \$1.1601 per therm after tax. The resulting decrease to the average NJNG residential heating customer using 100 therms monthly is \$11.15. The annual revenue decrease to the Company would be approximately \$53.4 million.

The Company also provided preliminary notice to the Board, in its petition, that it intended to issue refunds in September, 2006 to its Periodic BGSS customers, based upon Periodic BGSS volumes consumed by individual customers during the period of February 1, 2006 through

August 31, 2006. On August 25, 2006, the Company notified the Board that it would actually refund a total of \$22.5 million pre-tax BGSS recovery to all periodic BGSS customers based upon their periodic BGSS usage for the period from February 1, 2006 to July 14, 2006. The pre-tax refund per therm amounts to \$0.1137. The estimated average refund per customer amounts to \$52.57.

Following a review by, and subsequent discussions among representatives of NJNG, Rate Counsel, and Board Staff, the only parties to this proceeding (collectively, "the Parties") on August 17, 2006, the Parties entered into the attached Stipulation for Provisional BGSS Rates ("Stipulation"). The attached Stipulation solely addresses establishing new provisional BGSS rates for the Company; the remaining issues will be addressed in the normal course of business. Among the provisions in the Stipulation is the agreement that additional time is needed by the Parties to allow for a full and comprehensive review of the Company's 2006 BGSS petition. In addition the Parties recommend that pending their review and final determination by the Board, it would be reasonable for the Board to authorize on a provisional basis, subject to refund and interest on any net over-recovered BGSS balance, the Company's proposed decrease in its BGSS rates. The Parties agree that a price decrease in NJNG's BGSS rates, on a provisional basis, is reasonable at this time so that NJNG's customers may receive the benefit of the lower BGSS price. The attached Stipulation does not impair the Board's future consideration of the Company's original request to modify the standard BGSS interest calculation methodology.

The Parties agree that the Company's above request for provisional implementation of its Periodic BGSS rates should be effective October 1, 2006. The parties agree that the above-referenced BGSS rate filing will be transmitted to the Office of Administrative Law ("OAL"), with an opportunity for full review at the OAL and subsequent final Board approval.

On July 13, 2006, two public hearings in this matter were held in Freehold, New Jersey. One hearing was held in the afternoon and the other was held in the evening.<sup>1</sup> The public hearings were preceded by notices in newspapers of general circulation throughout the Company's service territory. The public notice also advised customers that the Board granted the Company the discretion to self-implement an increase in its BGSS rates to be effective December 1<sup>st</sup> of this year and/or February 1<sup>st</sup> of next year, with each increase capped at 5% of the total NJNG residential bill. The public notice also stated that the Company is permitted to decrease its BGSS rate at any time upon two weeks' notice to the Board and Rate Counsel. No members of the public appeared at the public hearings to provide comments related to the Company's request to decrease its Periodic BGSS rates.

## DISCUSSION AND FINDINGS

The Board, having carefully reviewed the record to date in this proceeding and the attached Stipulation, HEREBY FINDS that, subject to the terms and conditions set forth below, the Stipulation is reasonable, in the public interest and in accordance with the law. Accordingly, the

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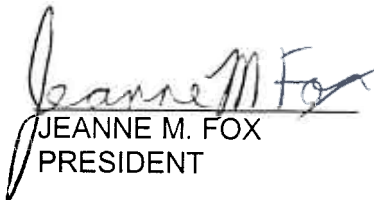
<sup>1</sup> The public hearings in this matter were held together with public hearings in another pending NJNG matter, *In the Matter of the Petition of New Jersey Natural Gas Company for the Implementation of a Conservation and Usage Adjustment*, BPU Docket No. GR05121020.

Board HEREBY ADOPTS the Stipulation as its own, as if fully set forth herein and HEREBY APPROVES on a provisional basis, the Company's implementation of a decrease in the Company's after-tax per-therm BGSS rate to \$1.1601 effective October 1, 2006. Any net over-recovery on the BGSS balance, at the end of the BGSS period, shall be subject to refund with interest.

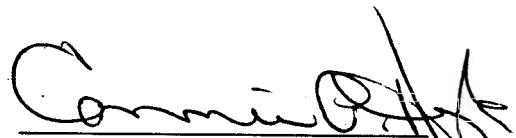
The Board HEREBY ORDERS that this docket be forwarded to the OAL for full review and an Initial Decision and then returned to the Board for a Final Decision. The Company is HEREBY DIRECTED to file the appropriate tariff sheets conforming to the terms and conditions of this Order within ten (10) business days from the effective date of this Order. The Company's gas costs will remain subject to audit by the Board. This decision and Order shall not preclude nor prohibit the Board from taking any actions determined to be appropriate as a result of any such audit.

DATED: 9/29/06


BOARD OF PUBLIC UTILITIES  
BY:

  
JEANNE M. FOX  
PRESIDENT

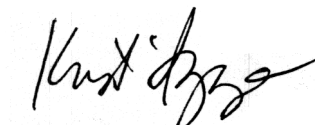
  
FREDERICK F. BUTLER  
COMMISSIONER

  
CONNIE O. HUGHES  
COMMISSIONER

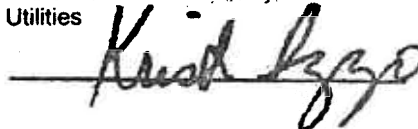
  
JOSEPH L. FIORDALISO  
COMMISSIONER

  
CHRISTINE V. BATOR  
COMMISSIONER

ATTEST:

  
KRISTI IZZO  
SECRETARY

I HEREBY CERTIFY that the within  
document is a true copy of the original  
in the files of the Board of Public  
Utilities



In the Matter of the Petition of New Jersey Natural Gas Company  
For the Annual Review and Approval of Its Basic Gas Supply  
Service (BGSS) for  
Fiscal Year 2007  
Docket No. GR06060415

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**STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES**

**IN THE MATTER OF THE PETITION OF )  
NEW JERSEY NATURAL GAS COMPANY )  
FOR THE ANNUAL REVIEW AND ) BPU DOCKET NO. GR06060415  
REVISION OF ITS BASIC GAS SUPPLY )  
SERVICE (BGSS) FOR F/Y 2007 )**

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**STIPULATION FOR PROVISIONAL RATES**

**APPEARANCES:**

**Tracey Thayer, Esq.**, New Jersey Natural Gas Company for the Petitioner, New Jersey Natural Gas Company

**Sarah Steindel, Esq.**, Assistant Deputy Ratepayer Advocate, Department of the Public Advocate, Division of Rate Counsel

**Babette Tenzer, Esq.** and **Anne-Marie Shatto, Esq.**, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (**Zulima Farber, Esq.**, Attorney General of New Jersey)

**TO: THE NEW JERSEY BOARD OF PUBLIC UTILITIES**

1 New Jersey Natural Gas Company (NJNG) filed a petition in Docket No GR06060415 on June 1, 2006. Through its petition, NJNG requested the New Jersey Board of Public Utilities (BPU or Board) to accept NJNG's annual reconciliation filing for its Basic Gas Supply Service (BGSS), and approve the Company's related request to decrease the periodic BGSS rate applicable to those customers subject to the Periodic BGSS Pricing Mechanism by \$0.1104 per therm after tax, effective September 1, 2006, decreasing the after tax rate of \$1.2597

per therm to \$1.1493 per therm. This change represents a decrease of approximately 6.6 percent for the average residential heating customer using 100 therms per month. The projection of NJNG's under-/over-recovery of natural gas costs was based on market conditions as of the time of the June 1, 2006 filing with a proposed one-year BGSS recovery period.

2. A public hearing on the petition was held on July 13, 2006, in Freehold Borough, New Jersey. No members of the public appeared to provide comments relating to NJNG's request to decrease its Periodic BGSS rate.

3. Representatives of NJNG, Board Staff and the Department of the Public Advocate, Division of Rate Counsel (Rate Counsel) (the Parties), the only Parties to these proceedings, have discussed certain matters at issue in these proceedings. As a result of those discussions, the Parties have determined that additional time is needed to complete the review of NJNG's proposed BGSS rate and other aspects of the Company's BGSS petition. However, the Parties also agree that a BGSS price decrease, on a provisional basis, is reasonable at this time so that NJNG's customers may receive the benefit of the lower BGSS price.

4 Pursuant to P.L. 2006, c.44, the sales tax rate in New Jersey increased from 6 percent to 7 percent as of July 5, 2006. In light of that, this Stipulation reflects price changes based on a state sales tax of 7 percent. With the sales tax adjusted, NJNG is seeking to decrease the BGSS rate applicable to those customers subject to the Periodic BGSS Pricing Mechanism by \$0. 15 per therm after tax, effective October 1, 2006, decreasing the after tax rate of \$1.2716 per therm to \$1.1601 per therm.

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<sup>1</sup> The June 1 filing also included testimony, schedules and data that are responsive to and consistent with the Minimum Filing Requirements (MFRs) for annual BGSS filings, pursuant to the Board's generic BGSS Order in Docket No. GX01050304.

5. Accordingly, the Parties stipulate and agree that pending the conclusion of any further review and discussions among the Parties, and pursuant to N.J.S.A. 48:2-21.1, it would be both reasonable and in the public interest for the Board to authorize the proposed decrease in the periodic BGSS rate to \$1.1601 per therm after tax (instead of \$1.1493 per therm after tax as in the June 1 filing), effective as of October 1, 2006, or as of a later date should the Board so decide. This price decrease is on a provisional basis, subject to refund with interest on any net over-recovery, an opportunity for a full review at the Office of Administrative Law, if necessary, and final approval by the Board. The stipulated change represents an overall decrease from the rates currently in effect of approximately 6.6%, or \$11.15 per month for a typical residential sales service customer using 100 therms per month. This action will lead to a decrease in annual revenue to NJNG of approximately \$53.4 million

6. In the June filing, the Company also requested approval to implement a limited modification to the current manner in which BGSS interest is calculated. Since the Parties have not yet had the opportunity to discuss this issue, this Stipulation in no way impairs the Board's future consideration of Company's original request for the modified interest method to be effective as of October 1, 2006.

7. This Stipulation represents a mutual balancing of interests, contains interdependent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event any particular aspect of this Stipulation is not accepted and approved in its entirety by the Board, any Party aggrieved thereby shall not be bound to proceed with this Stipulation and shall have the right to litigate all issues addressed herein to a conclusion. More particularly, in the event this Stipulation is not adopted in its entirety by the Board, in any applicable Order(s), then any Party

hereto is free to pursue its then available legal remedies with respect to all issues addressed in this Stipulation as though this Stipulation had not been signed.

8. It is the intent of the Parties that the provisions hereof be approved by the Board as being in the public interest. The Parties further agree that they consider the Stipulation to be binding on them for all purposes herein.

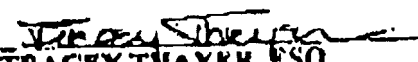
9. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of these proceedings. Except as expressly provided herein, neither NJNG, the Board, its Staff, nor Rate Counsel shall be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein.



WHEREFORE, the Parties hereto do respectfully submit this Stipulation and request that the Board issue a Decision and Order approving it in its entirety, in accordance with the terms hereof, as soon as reasonably possible.

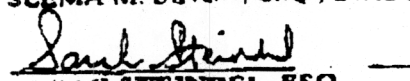
**NEW JERSEY NATURAL GAS  
PETITIONER**

By:

  
**TRACEY THAYER, ESQ.**  
New Jersey Natural Gas

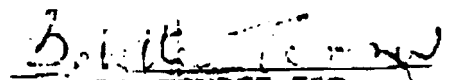
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DIVISION OF RATE COUNSEL  
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By:

  
**SARAH STEINDEL, ESQ.**  
ASSISTANT DEPUTY RATEPAYER ADVOCATE

**STAFF OF THE NEW JERSEY BOARD OF PUBLIC UTILITIES  
ZULIMA FARBER, ATTORNEY GENERAL OF NEW JERSEY**

By:

  
**BABETTE TENZER, ESQ.**  
**ANNE-MARIE SHATTO, ESQ.**  
DEPUTY ATTORNEYS GENERAL

Date: August 17, 2006